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Message Text

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PAGE 01 MOSCOW 06492 301636Z

43
ACTION XMB-07

INFO OCT-01 EUR-25 EA-11 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04

PRS-01 USIA-15 NIC-01 SAJ-01 DRC-01 /194 W
---------- 114549
R 301533Z APR 74
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 8436
INFO AMEMBASSY TOKYO
AMCONSUL HONG KONG
USLO PEKING
CINCPAC HONOLULU

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E.O. 11652: N/A
TAGS: ENRG ETRD UR JA
SUBJECT: YAKUTIA AND SAKHALIN EXPLORATION PROJECTS

REF: TOKYO 5601

1. SUMMARY. SOVIET PRESS CARRIES BRIEF ARTICLE ON MEMORNADA OF AGREEMENT CONCLUDED RECENTLY IN TOKYO ON JAPANESE CREDITS FOR BOTH YAKUTIA NATURAL GAS EXPLORATION AND SAKHALIN OFFSHORE EXPLORATION FOR OIL AND NATURAL GAS. ARTICLE MAKES NO MENTION OF CONDITIONS FOR U.S. PARTICIPATION IN EITHER YAKUTIA OR SAKHALIN EXPLORATIONS. JAPANESE EMBASSY MOSCOW HAS PROVIDED RESUME OF TERMS OF SAKHALIN MEMORANDUM WHICH INCLUDE SPECIFIIC CLAUSE THAT USSR WILL HAVE NO OBJECTION TO PARTICIPATION BY U.S. FIRMS AS PARTNERS OF JAPANESE FIRMS IN EXPLORATION WORK. END SUMMARY.
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Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

2. PRAVDA MORNING APRIL 30 CARRIES TASS DESPATCH DATELINED TOKYO APRIL 29 REPORTING SIGNATURE OF JAPANESE-SOVIET MEMORANDUM OF AGREEMENT ON COOPERATION IN EXPLORATION AND JOINT DEVELOPMENT OF SAKHALIN OFFSHORE OIL AND GAS DEPOSITS AND DELIVERY OF OIL AND GAS FROM SAKHALIN TO JAPAN. ARTICLE ALSO STATES THAT UNDERSTANDING WAS REACHED ON ALL PRINCIPAL POINTS OF PROJECT THROUGH CONVERSATIONS COMPLETED APRIL 28 IN TOKYO. IN SECOND PARAGRAPH ARTICLE ALSO REPORTS MEMORANDUM ON YAKUTIA GAS EXPLORATION MENTIONED REFTEL. NO MENTION IS MADE OF CONDITIONS FOR U.S. PARTICIPATION IN EITHER YAKUTIA OR SAKHALIN EXPLORATION PROJECTS.

3. JAPANESE EMBASSY MOSCOW ECONOMIC COUNSELOR MORIMOTO HAS PROVIDED FOLLOWING SUMMARY OF MAIN POINTS IN SAKHALIN PROTOCOL:

(A)TWO SIDES WILL MAKE EVERY EFFORT TO SIGN GENERAL AGREEMENT BY END OF JUNE 1974.

(B) AREAS FOR EXPLORATION WILL BE OFF NORTHEAST AND SOUTHWEST SHORES OF SAKHALIN.

(C) IF EXPLORATION IS NOT SUCCESSFUL, USSR WILL NOT HAVE TO REPAY CREDITS FOR EXPLORATION EXTENDED BY JAPANESE GOVERNMENT.

(D) IF EXPLORATION IS SUCCESSFUL FOR EITHER OIL OR GAS OR BOTH, DEVELOPMENT WORK WILL BE CARRIED OUT BY BOTH COUNTRIES.

(E) PERIOD OF EXPLORATION WILL BE FOR TEN YEARS.

(F) FOR FIRST FIVE-YEAR PERIOD JAPAN WILL PROVIDE $100 MILLION CREDIT AT SIX PERCENT INTEREST RATE; AFTER THIS CREDIT HAS BEEN UFLLY USED, AND IF BOTH SIDES AGREE THAT EXPLORATION WORK SHOULD CONTINUE, JAPAN WILL EXTEND AN ADDITIONAL $100 MILLION CREDIT.
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(G) IF OIL IS FOUND, FIFTY PERCENT OF ALL PRODUCTION WILL BE EXPORTED TO JAPAN DURING PERIOD OF CREDIT REPAYMENT BY USSR, AND FOR AN ADDITIONAL TEN YEARS AFTER THE CREIDT HAS BEEN REPAID. PRICE OF OIL SHIPPED TO JAPAN WILL BE AT DISCOUNT FROM CURRENT WORLD MARKET PRICE.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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(H) IF GAS IS FOUND, BOTH SIDES WILL CONSULT ON MEANS OF REPAYMENT.

(I) REPAYMENT PERIOD WILL EXTEND FOR EIGHTEEN YEARS BEGINNING FROM DATE EXPLORATION WORK BEGINS.

(J) JAPAN WILL PROVIDE UP TO $30 MILLION IN CREDITS FOR LOCAL COSTS, AND WILL ALSO PROVIDE CREDITS OF UP TO FIFTY PERCENT OF COSTS OF DEVELOPMENT OF OIL AND/OR GAS PROJECTS. THE TERMS FOR DEVELOPMENT CREDITS ARE TO BE NEGOTIATED.

(K) JAPANESE SIDE WILL FORM NEW COMPANY FOR FINACING OF EQUIPMENT FOR SEISMIC EXPLORATION AND EQUIMENT USED WILL BE BOTH JAPANESE AND EQUIPMENT IMPORTED FROM THIRD COUNTRIES.

(L) SOVIET UNION WILL HAVE NO OBJECTION TO PARTICIPATION OF U.S. FIRMS IN EXPLORATION AS PARTNERS OF JAPANESE COMPANIES.

4. MORIMOTO NOTED WITH REFERENCE TO 3(C) ABOVE, THAT IF EXPLORATION UNDER FIRST PHASE NOT SUCCESSFUL, NO REPAYMENT WOULD BE REQUIRED, BUT CONSIDERATION WOULD HAVE TO BE MADE WHETHER OR NOT TO EXTEND CREDIT FOR SECOND PHASE. PRESUMABLY, IF OIL OR GAS STRUCK IN SECOND PHASE, REPAYMENT WOULD ALSO BE MADE FOR FIRST PHASE.
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